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Canadian Development Assistance
Program for the Philippines



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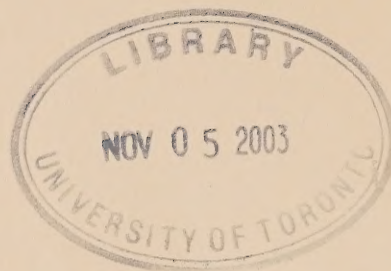
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CANADIAN DEVELOPMENT ASSISTANCE PROGRAM FOR THE PHILIPPINES

October 1986

Canada



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CANADIAN DEVELOPMENT ASSISTANCE TO PHILIPPINES

Introduction

In September, 1986, the Government of Canada made the Philippines a Category 1 country for development assistance, opening the door for long-term, ongoing, cooperative planning of assistance at the bilateral, government-to-government level as well as through non-governmental organizations (NGOs), academic institutions and the private business sector.

The move followed the dramatic change of government in the Philippines last February that brought Mrs. Corazon Aquino to power on a program of open democracy and social and economic change, and the broadly-expressed interest of Canadians to help.

Even before the official announcement of Category 1 status, the Canadian International Development Agency (CIDA) had initiated an expanded assistance program through cooperation among Canadian and Filipino NGOs. External Affairs Minister Joe Clark visited the Philippines in late June-early July and promised direct support for the sugar plantation workers on the island of Negros suffering severe poverty as a result of the decline in sugar prices and markets.

On September 9, a CIDA planning mission arrived in Manila for a two-week assessment of the country's needs, and discussions with Filipino government and non-government officials on how Canadian assistance could be most effective.

The Philippine Economy

The Philippines economy has considerable potential. It is well-endowed with natural resources, has a large, young, literate and highly-skilled population, and soils suitable for a wide range of crops.

In recent years, however, the country's economic performance has not lived up to expectations due in part to a drop in prices for export commodities.

Well over half the 56 million Filipinos today live below the poverty line. Per capita income (currently about US\$550) has been shrinking for the past three years and is projected to fall by another two per cent this year.

The unemployment rate is about 25 per cent and underemployment is 35 per cent. About 40 per cent of the population is under the age of 15 and population is growing at 2.8 per cent annually.

Industrial capacity utilization is less than 50 per cent. Rapid urbanization has created social, economic and health problems, putting pressure on already over-extended social service delivery systems.

Lack of jobs and income has left consumer spending weak. At the same time, world commodity prices for traditional exports remain low. Only a growth in non-traditional exports has prevented a serious balance of payments crisis and a severe depression.

Donor Activity

The United States is the largest donor of bilateral assistance to the Philippines. With the \$200 million pledged during Mrs. Aquino's visit to Washington in September, the U.S. aid package is now \$500 million. Japanese assistance for 1986 is estimated at \$245 million. The World Bank has a \$300 million aid package and the International Monetary Fund has assured the Philippines US\$500 million in standby credits. Australia is providing aid through commodity programs (crude oil, for example) and direct funding of Philippine NGOs.

Philippine Government Priorities

The top priority of the new government is social justice and economic recovery through job creation and income opportunities to alleviate poverty and inequities among the majority of the population. It focuses on pump-priming the economy through agricultural productivity increases and infrastructure spending in rural areas. It will have to be supplemented by export promotion of non-traditional manufactured products, by the injection of credit for rural non-farm activities and by close coordination with local community activities. Industry and infrastructure activities outside of Manila are essential, particularly improved telecommunications, transport and ports.

The Filipino government is determined to launch immediate, credible and visible actions in cooperation and consultation with local communities. Every government department is developing plans to interact with the non-governmental sector in community development activities and to decentralize the development process into the various provinces and regions.

Canadian Objectives

In support of the overall foreign policy goals of the Philippine government, Canada's development program will help it to address the most pressing socio-economic issues and achieve economic stability and recovery in the short term and sustained and equitably distributed growth in the long term.

Specific objectives include:

- improving the standards of living of Filipinos in both social and economic terms through balanced agricultural and industrial development, particularly in rural and hinterland areas;
- promoting and enhancing Canadian-Filipino non-governmental and private sector relationships;
- contributing to institution building and strengthening for both governmental and non-governmental organizations at the national and local levels with an emphasis on linkages between the public and private sectors.

There is potential involvement for Canada in all sectors.

Development Strategy

Given the need to generate quick economic growth, the development strategy will focus on immediate action geared to economic recovery and direct impact at the community level. In parallel, for the longer term, CIDA will also engage in sector management planning activities in view of the priorities and requirements of the Government of the Philippines.

The strategy will also respond to the desire of Canadians and Filipinos to work together in ways of their own choosing and design.

There will be an equitable balance between government-to-government projects and contributions to non-governmental and private commercial sector activities. Canada will also give priority to supporting joint government-non-governmental cooperation, which is both a critical component of the Philippine government's development strategy and responds to the desire of a number of NGOs to work with their new government.

Immediate Action

In the short term, CIDA will be funding a number of local cost activities either directly or through counterpart funds generated by a commodity program. Many of the opportunities for immediate action involve a high proportion of local costs and a relatively low amount of Canadian goods and services.

However, a large component of the program will be the provision of Canadian commodities, such as potash. The first contribution of \$10 million worth of potash was announced by External Relations Minister Landry on October 10, 1986.

Based on initial investigation of several areas of potential interest, as well as on the many submissions made to the CIDA planning mission during its visit to the Philippines, the following areas may present opportunities for immediate Canadian assistance:

- assisting non-formal education and skill building programs;
- strengthening private sector cooperatives;
- building rural communications facilities;
- promoting exports of manufactured goods and non-traditional farm products;

- supporting the development of small-scale industry outside of Manila and providing credit;
- providing post-harvest equipment to farmers' organizations;
- expanding health care programs;
- strengthening extension services for aquaculture and small-scale fisheries;
- supporting projects for upland farmers.

Attention will be given to ensuring that women derive equitable benefits from development.

Several ministries are attempting to develop resource management strategies to rationalize development and overcome structural causes of many problems. CIDA will investigate the possibility of providing sectoral planning assistance for forestry, disease control campaigns, telecommunications, fisheries, mining and tourism.

Longer-Term Planning

After two or three years' of increased activity in the Philippines, CIDA will be in a position to develop a longer-term Country Program Strategy.

The present socio-economic situation and the proposals to assist short- and medium-term recovery reflect the likely need for CIDA to continue to be involved in the agricultural, industrial and social sectors over the longer term as well.

During the development of the long term strategy, CIDA will continue to implement existing projects and investigate new project proposals.

Canadian Assistance to Philippines

CIDA has had a small assistance program in the Philippines in the past, but development assistance from many countries to the Philippines has been rapidly increased since the election of Mrs. Corazon Aquino as president last February.

Projects already approved include:

-- Potash: A contribution of \$10 million worth of potash fertilizer was announced by External Relations Minister Monique Landry on October 10. It will provide, and cover transportation costs for, about 85,000 tonnes of muriate of potash to increase agricultural productivity.

-- Fisheries: A project to provide technical assistance to the second phase of a small scale fishermen's cooperative in the Bayawan region of Negros Oriental province has been extended for another year at an estimated cost of \$913,000.

-- PDAP: In June a \$4.88 million, five-year program of assistance to Philippine NGOs was announced. The Philippine NGO Development Assistance Program commenced operations in July. The program is being coordinated in the Philippines by five Filipino NGOs and involves seven Canadian NGOs so far. The participation of other Canadian groups is being actively encouraged.

-- NRDF: The Negros Rural Development Fund of \$11 million was announced during Mr. Clark's visit and formally signed by President Aquino during the visit of the Canadian Planning Mission. It provides support for

tenant sugar workers involved in crop diversification, agricultural development, agro-industries and micro-industries in the province of Negros Occidental.

-- Immunization: Canada will provide \$5 million worth of vaccines that will be used by UNICEF and Philippine health authorities to step up the program of immunizing children against the six childhood diseases.

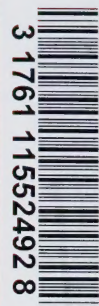
-- MAF: The Canadian Embassy in Manila has an annual fund of \$350,000 which can be used to support the developmental activities of indigenous NGOs providing social and economic assistance to the rural and urban poor.

-- ADB: The Asian Development Bank, to which Canada has been contributing \$92 million annually since 1983, has \$2.1 billion invested in the Philippines in support of 76 projects, including 29 in agriculture, 14 in energy, 14 in transport and communications, 10 in development banks, six in water supply and sanitation, and two in education.

-- ASEAN: The Philippines also receives Canadian development assistance as part of the development cooperation program between Canada and the Association of Southeast Asian Nations (ASEAN).

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